

INDIANA HOUSING & COMMUNITY DEVELOPMENT AUTHORITY



Indiana Neighborhood Stabilization Program

Comprehensive Neighborhood Revitalization Fund
Request for Proposals

December 2, 2008

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SUMMARY AND BACKGROUND

During the last year, communities across the country have been severely impacted by mortgage foreclosures and declining property values. In response, the U.S. Department of Housing and Urban Development (HUD) recently developed and funded the *Neighborhood Stabilization Program* (NSP) to help revitalize and stabilize particularly impacted communities. The purpose of NSP is to provide targeted assistance to state and local governments to acquire and redevelop abandoned or foreclosed homes and residential properties that might otherwise become sources of blight within their communities. Information about the NSP is located in the October 6, 2008 issue of the Federal Register and can be accessed via the following link:

<http://www.hud.gov/utilities/intercept.cfm?offices/cpd/communitydevelopment/programs/neighborhoodspg/nsnotice.pdf>

Through the NSP, HUD has allocated \$3.92 billion in Community Development Block Grant (CDBG) monies to communities and states nationwide, \$150 million of which was allocated to Indiana. About half of Indiana's allocation, approximately \$70 million, was distributed to 12 cities and counties in Indiana; the remaining \$83 million was allocated to the Indiana State Program for distribution to eligible entities throughout the state. The plan for distributing these 'balance of state' funds is included in the Substantial Amendment to the Comprehensive State Plan that was submitted to HUD on December 1 by Indiana Housing and Community Development Authority (IHCDA). In the submission, IHCDA proposes to allocate \$50 million to Local Units of Government and Not-for-Profit entities through a competitive process, and will provide \$30 million to help stabilize communities via direct home purchases in more modestly affected areas. Named the *Comprehensive Neighborhood Revitalization Fund* (CNRF), these funds provide an opportunity for communities to significantly reduce blight, restore stability, and revitalize and strengthen targeted neighborhoods.

In determining the areas of greatest need, IHCDA has identified two primary markets: 1) Revitalization Markets and 2) Stabilization Markets. Both require unique approaches to mitigating or reversing the negative impacts of foreclosures and abandoned housing.

Revitalization Markets have experienced significant disinvestment. They are characterized by deteriorating housing stock, declining property values, escalating crime, and underperforming schools. Traditional market forces are not working in these areas, nor are they likely to be re-established soon. Therefore, the goal in these markets should be to marshal resources and to deploy comprehensive strategies in a concentrated footprint that will serve as a catalyst for additional investment. The demolition of blighted structures, the rehabilitation of housing units, and the creation of new uses such as recreational amenities, retail and employment centers can serve as a tipping point for future development by market forces.

Stabilization Markets are mostly found in the suburbs and exurbs of metropolitan regions as well as economic centers of rural communities. These markets have high homeownership rates, moderate home values, and relatively low vacancy rates. In many cases, the real estate market is not quite strong enough to respond to scattered but conspicuous problems and the images of the neighborhoods suffer accordingly, exaggerating the initial problem. With market-driven incentives, these neighborhoods can build off their strengths to become stable. Without intervention in the real estate market in these communities, the ripple effect of seemingly isolated foreclosures will quickly result in widespread disinvestment.

IHCDA has determined areas of greatest need with the assistance of the Indiana University Center for Urban Policy and the Environment, using a combination of HUD-provided data and proprietary data available to IHCDA. For more information regarding the determination and the list of IHCDA Indiana NSP Qualified Areas of Greatest Need, please review the IHCDA NSP Substantial Amendment to Action Plan found at the link below:

http://www.in.gov/ihcda/files/NSP_Final.pdf

REQUEST FOR PROPOSALS

IHCDA is requesting proposals from Local Units of Government and Not-for-Profit entities to fund local activities that address the greatest neighborhood and community redevelopment needs within a targeted area in the most efficient and effective ways possible. This request for proposals (RFP) process is competitive; therefore, successful proposals will thoroughly and concisely address and document the following topics:

- Areas of Greatest Need (i.e. foreclosure concentration in and abandonment risk of the community);
- Capacity of the applicant to administer the funds;
- The long-term viability of the proposed project;
- Priority will be given to proposed projects in which 50% of the units developed will be used to house individuals or families whose income is at 50% AMI or below;
- Readiness to proceed;
- Ability to complete the project within the federally specified timeframe;
- Whether the applicant or applicant area has received a direct NSP allocation;
- Ability to leverage additional resources;
- The comprehensive scope of the proposed project(s).

It is imperative applicants realize CNRF award recommendations will be made based on the ultimate goal of comprehensively redeveloping neighborhoods using new or existing neighborhood comprehensive community development plans that align with the goals and objectives of the CNRF.

IHCDA's RFP was developed based on the NSP Substantial Amendment to Action Plan that was submitted to HUD on December 1, 2008 and could be modified, if necessary, to comply with any changes in the NSP Amendment required by HUD prior to its approval of the NSP Amendment.

This RFP includes six attachments, as follows:

- A. Definitions.** A list of definitions for purposes of the NSP.
- B. NSP and CDBG compared.** A quick reference chart to compare the eligible uses of these two programs.
- C. Budget Matrix.**
- D. Sample CNRF Indicators/Results.**
- E. Low Income Housing Tax Credits Application.**
- F. Letter of Intent Information Sheet.**

ELIGIBLE APPLICANTS

Eligible applicants are: 1) Indiana Local Units of Government (LUG) located in the areas designated by IHCDA as Indiana NSP Qualified Areas of Greatest Need, and 2) eligible Not-for-Profit entities, as noted in the first sentence of 24 CFR 570.500(c), may apply for funds for an area (block groups) within their jurisdiction or service area that is identified as being of greatest need. The LUG may subcontract with either Not-for-Profit entities and/or for-profit corporations to administer, design, develop and/or implement

CNRF proposal activities. The applicant is also expected to identify a development team to plan and monitor implementation, which should include individuals with expertise and experience in successful community and economic development, project development and/or housing finance and development.

Please note the following limitations on eligible applicants:

- While a city, town, county government, or Not-for-Profit entity may all apply to IHCD for these funds, no two applicants may apply for the same geographic area of need. Therefore, IHCD encourages local governments and non-profits to coordinate their activities in order to eliminate redundancies in their applications.
- Entitlement communities receiving a direct allocation from HUD may apply for grants under the CNRF. These applicants, however, (1) may not request an amount exceeding \$5,000,000 and (2) must demonstrate the ability to leverage at least 50% of the total project costs from another funding source.

ELIGIBLE ACTIVITIES

The purpose of NSP is to stabilize communities and neighborhoods. Many of the eligible NSP activities are allowable activities under the CDBG program. Listed below are activities for which Local Units of Government and Not-for-Profit entities may utilize CNRF grants, followed by the correlated CDBG activity regulation in parentheses.

- Establish financing mechanisms for purchase and redevelopment of foreclosed upon homes and residential properties, including such mechanisms as soft-second, loan loss reserves and shared-equity loans for low-and moderate-income homebuyers (24 CFR 570.206);
- Purchase and rehabilitate homes and residential properties that have been abandoned or foreclosed upon, in order to sell, rent or redevelop such homes and properties (24 CFR 570.201(a),(b)) and 570.202);
- Establish land banks for homes that have been foreclosed upon (24 CFR 570.201(a),(b));
- Redevelop demolished or vacant properties (24 CFR 570.201(a),(b),(c),(e),(i),(n));
- Provide rental properties that target serving individuals and families at or below 50% AMI;
- Demolish blighted structures (24 CFR 570.201(d)).

In accordance with Public Law 110-289, "profit" means any revenue generated in excess of reasonable costs (including development fees) from the sale, rental, or redevelopment of an NSP investment is considered program income and must be returned to the grantee and reinvested under NSP guidelines.

SELECTION CRITERIA

A competitive process will be used for allocating CNRF resources, which will take into account the following:

- Location of the applying LUG or NFP: The applying LUG must be located in one of the IHCD identified Areas of Greatest Need. The proposed project(s) must occur within the applicant's jurisdiction or NFP's service area.

- Neighborhood and/or Community Revitalization Plans: IHCD will give priority to localities that identify a targeted revitalization area that clearly deploys comprehensive development strategies designed to address its unique challenges. Localities should articulate how financial capital will be leveraged across all sectors. The long-term physical and financial viability of the proposed redevelopment project is essential. Plans that demonstrate innovation in housing and community economic development practices will be given priority.
- Areas of Greatest Need: (*i.e.* Foreclosure concentration in and abandonment risk of the community). Localities should provide data and documentation as to how the targeted neighborhood and/or community was selected as the area of greatest need and how the proposed activities best address that need.
- Development Team Capacity: IHCD will assess applications based on expertise of the local development team. Key factors will include grant administration, readiness to proceed, project completion and track record of previous state-awarded projects.
- Housing Opportunity: Given the federal mandate that a portion of NSP funds serve households below 50% AMI, localities will be expected to identify affordable housing solutions that best serve this population.
- LUG Support or Notification: Not-for-Profit applicants must demonstrate notification or support from the LUG.

ELIGIBLE COSTS

Allowable administration costs for CNRF may be charged to the grant at up to 10% of the total amount of funds received. General administration costs include costs that are directly related to administering the NSP funds. When responding to this RFP, applicants must:

- List and define their proposed administrative costs;
- Provide an explanation correlating their proposed administrative costs with the amount they will charge;
- Provide an explanation of all pre-award costs and expenses.

Some pre-agreement administrative costs may be claimed retroactively to the posting date of this RFP, December 2, 2008. (Please refer to Attachment A for further explanation of the terms “*pre-agreement costs*” and “*administrative costs*”).

BUDGET

When responding to this RFP, it is expected that the applicant will submit a completed Budget Matrix (Attachment C). If awarded funds, the entity will be required to submit detailed budgets for each proposed activity.

PROGRAM PERIOD

According to HUD guidelines, all NSP funds must be obligated to projects within 18 months of the date of IHCD's agreement with HUD (please refer to Attachment A, definition for “*Use for the purposes of section 2301 (c)(1)*” for further explanation of the term “*obligation*”). Awarded applicants have four years to complete their project(s) from date of the awarded funds.

In accordance with Public Law 110-289, "profit means any revenue generated in excess of reasonable costs (including development fees) from the sale, rental, or redevelopment of an NSP investment is considered program income and must be returned to the grantee and reinvested under NSP guidelines.

Program income generated by activities carried out pursuant to Section 2301(c)(3)(B) and (E) received before July 30, 2013, may be retained by the state or unit of general local government if it is treated as additional CDBG funds and used in accordance with the requirements of Section 2301. Program income received on or after July 30, 2013 must be returned to the Treasury. (Please refer to Attachment A for further explanation of the term "*program income*").

ADDITIONAL IHCD A RESOURCES

Comprehensive neighborhood revitalization is the goal of CNRF. Therefore, IHCD A will assist those Local Units of Government and Not-for-Profit entities that leverage other resources, including IHCD A resources, to make these plans financially feasible, viable, and comprehensive. Other IHCD A resources that may be made available are:

1. **Home Investment Partnership Program (HOME)*** – Federal funding in the forms of grants for the acquisition, development, rehabilitation, or refinancing of housing that is affordable to low and moderate-income people. IHCD A accepts applications for homeowner rehabilitation, homebuyer, permanent supportive housing, transitional housing, and rental housing activities. Developments funded with HOME have strict requirements on rent controls, income eligibility of tenants, housing development costs, and long-term affordability. Additional information is available via the following link: <http://www.in.gov/ihcda/2530.htm>.

**The following participating jurisdictions are not eligible to apply for HOME funds through IHCD A (with the exception of permanent supportive housing): Anderson, Bloomington, East Chicago, Evansville, Fort Wayne, Gary, Hammond, Indianapolis, Lake County, Muncie, St. Joseph County Consortium, Terre Haute, and Tippecanoe County Consortium.*

2. **Community Development Block Grant (CDBG)**** – Federal funding in the forms of grants to local units of government to provide special housing and rehabilitate existing homes and rental units in their community. IHCD A accepts applications for homeowner repair and improvement, rental repair, permanent supportive housing, and transitional housing activities. Developments funded with CDBG have strict requirements on rent controls, income eligibility of tenants, housing development costs, and long-term affordability. Additional information is available via the following link: <http://www.in.gov/ihcda/2529.htm>.

***The following entitlement communities are not eligible to apply for CDBG funds through IHCD A: Anderson, Bloomington, Carmel, Columbus, East Chicago, Elkhart, Evansville, Fort Wayne, Gary, Goshen, Hamilton County, Hammond, Kokomo, Indianapolis, Lafayette, Lake County, LaPorte, Michigan City, Mishawaka, Muncie, New Albany, South Bend, Terre Haute, West Lafayette.*

3. **Affordable Housing and Community Development Fund ("Development Fund")** – Flexible state funding that can be used to finance residential and commercial real estate projects. Financing can include predevelopment loans, gap financing, loan loss reserves and guarantees, as well as matching grants. Rental units produced by the Development Fund must serve households at or below 80% AMI, with at least half of the funds allocated for

persons earning up to 50% AMI. Additional information is available via the following link:
<http://www.in.gov/ihcda/3117.htm>.

4. **Low Income Housing Tax Credits (LIHTC)** – Provides incentives for the investment of private equity capital in the development of affordable rental housing. LIHTC reduces the Federal tax liability of investors in exchange for equity that is used to support the acquisition, rehabilitation, or construction of affordable rental housing units that will remain income and rent restricted for at least 15 years (please see Attachment E). Additional information is available via the following link: <http://www.in.gov/ihcda/2514.htm>.

APPLICATION PROCESS

1. NSP Workshop & Webinar

All potential applicants are strongly encouraged to attend an NSP Webinar for additional program information and instructions on completing the application. These webinars will be held on the following dates:

- December 16, 2008: 9-11 AM
- December 18, 2008: 1-3 PM
- January 6, 2009: 9-11 AM
- January 8, 2009: 1-3 PM

Instructions on accessing the webinar are available via the following link:
<http://www.in.gov/ihcda/3118.htm>.

2. Intent to Apply

Applicants should submit one original letter of Intent to Apply and Letter of Intent Information Sheet (please see Attachment F) to the address below. Those submitting a letter of Intent to Apply will be eligible to submit a final response to the RFP, but will not be obligated to do so.

The Intent to Apply letter and required attachments must be received at IHCDA by 5:00 PM, Indianapolis time, no later than **Friday, January 9, 2009**. The letter and attachments should be mailed to IHCDA at the following address.

Indiana Housing & Community Development Authority
30 S. Meridian Street, Suite 1000
Indianapolis, IN 46204
Attention: Neighborhood Stabilization Program

Electronic facsimiles (PDF or scanned) of the signed Intent to Apply letter and required documents will be accepted as placeholders until the original documents are received. Once the original documents are received, the electronic copies will be destroyed. Electronic copies can be emailed to IHCDA at NSP@ihcda.in.gov. The subject should read: *"NSP Letter of Intent to Apply for (Insert Name of Applicant)"*.

Send questions to IHCDA at NSP@ihcda.in.gov.

3. Site Visits & Technical Assistance

Before submitting the final application, all applicants must schedule a site visit with the Community Development Representative for their geographic area. The purpose of the site visit will be to:

- Determine readiness to proceed.
- Review project financials, including pro-formas, and make recommendations.
- Review project data, including census information, area income, and maps.
- Review overall Comprehensive Community Plan and determine feasibility.
- Determine overall next steps.

IHCDA Community Development Representatives will conduct site visits according to the following schedule:

- February 1-7: Southwest Region Applicants
- February 8-14: Southeast Region Applicants
- February 15-21: Northwest Region Applicants
- February 22-28: Northeast Region Applicants

A map of the Community Development assignments is available via the following link:
www.in.gov/ihcda/files/communitydevelopmentreps.xls.

Please contact your Community Development Representative at 1-800-872-0371 to schedule a site visit.

4. Final Application

The application package consists of one original proposal, three copies and a CD. The deadline for accepting applications is 5:00 PM, Indianapolis time, on Friday, **March 13, 2009**. Mail all information to the following address:

Indiana Housing & Community Development Authority
30 S. Meridian Street, Suite 1000
Indianapolis, IN 46204
Attention: Neighborhood Stabilization Program

The application documents should be typed on 8.5 x 11 paper, two-sided, with 11 point font, 1.5 line spacing and 1-inch margins on all sides.

A complete application package consists of the items listed below. Applications received without all of the items will be considered incomplete. Incomplete applications will be withdrawn from the review process and returned to the applicant.

1. Cover sheet on organizational letterhead that includes all relevant contact information (1-2 pages)
2. Proposal that includes the following:
 - Project cost and the amount of the request (1-2 pages)
 - Project goals and objectives (1 page)
 - Target population (1-2 pages)
 - Project activities (1-5 pages)
 - Staff responsible for the project, including names and positions (1-2 pages)

3. Evidence of how the project meets the area of greatest need requirement, including detailed maps, data, and actual photos (1-3 pages)
 - Maps should include a parcel-by-parcel description of each house (including historic features and preservation requirements, if any), with the source of funds and the proposed activity
4. Expected project outcome and the impact on the targeted areas (1-3 pages)
5. Qualifications of the Applicant Organization (1-2 pages)
6. Budget Matrix (see Attachment C)
7. Detailed budget for each component of the project, including sources and uses
8. Detailed timeline and benchmarks
 - Demonstration of how the process will meet the timeline established by HUD
9. Attachments
 - Two years financial statements for Not-for-Profit applicants (preferably audited)
 - Resumes of key project staff of the primary organization and Development Team
 - Comprehensive Community Plan

We will acknowledge the receipt of all applications by close of business on Monday, March 16, 2009.

REVIEW PROCESS

The applications will be reviewed by IHCD staff, the IHCD Board of Directors and a panel of outside industry professionals. IHCD anticipates making award decisions by May 2009.

SELECTION CRITERIA

A competitive process will be used for making CNRF awards, which will take into account the following:

- Neighborhood Revitalization Plan: IHCD will give priority to localities that identify a targeted revitalization area that clearly deploys comprehensive development strategies designed to address its unique challenges. Localities should articulate how financial capital will be leveraged across all sectors. The long-term physical and financial viability of the proposed redevelopment project is essential. Plans that demonstrate extraordinary innovation in housing and community economic development practices will be given priority.
- Areas of Greatest Need: (i.e. foreclosure concentration in and abandonment risk of the community). IHCD has used data sources that are uniform and available across the state. Localities should provide data and documentation as to how the target neighborhood was selected as the area of greatest need and how its proposed activities best address that need.
- Development Team Capacity: IHCD will assess applications based on expertise of the local development team. Key factors will include grant administration, readiness to proceed, project completion, and track record on previous state-awarded projects.

- Housing Opportunity: Given the federal mandate to serve households below 50% AMI, localities will be expected to identify affordable housing solutions that best serve this population.

TIMELINE

December 16, 2008: 9-11 AM	NSP Webinar
December 18, 2008: 1-3 PM	NSP Webinar
January 6, 2009: 9-11 AM	NSP Webinar
January 8, 2009: 1-3 PM	NSP Webinar
January 9, 2009 by 5:00 PM	Intent to Apply Letter Due
February 1-28, 2009	Site Visits & Technical Assistance
March 13, 2009 by 5:00 PM	Application for State NSP funds due
April 1-30, 2009	Application review period
May 29, 2009	State NSP allocations announced
August 2010	All NSP funds obligated to projects
June 30, 2013	NSP ends

ADDITIONAL QUESTIONS AND CONCERNS

Due to the anticipated volume of inquiries, please e-mail additional questions and concerns to NSP@IHCDA.in.gov. IHCDA will respond to all inquiries within 24 hours.